

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Talk)	<u>DOCKET NO. 06-2236-01</u>
America Holdings, Inc., Talk America)	
Inc., and Cavalier Telephone Corp., for)	
Approval of an Indirect Transfer of)	<u>ORDER APPROVING INDIRECT</u>
Control and Related Financing)	<u>TRANSFER OF CONTROL</u>
Transactions)	

SYNOPSIS

The Commission finds the proposed indirect transfer of control of Talk America, Inc., to be in the public interest and approves the same.

ISSUED: November 16, 2006

By The Commission:

PROCEDURAL HISTORY

On October 2, 2006, Talk America Holdings, Inc. (“TA Holdings”), Talk America, Inc. (“Talk America”), and CavTel Holdings LLC (“CavTel Holdings”) (hereinafter jointly referred to as the “Applicants”) filed a Joint Application for Approval of an Indirect Transfer of Control and Related Financing Transactions (“Application”) pursuant to *Utah Code Ann.* §§ 54-4-28 and -29 seeking Commission approval of the proposed indirect transfer of control of Talk America to CavTel. Applicants request expedited treatment of the Application prior to December 10, 2006, to permit consummation of the proposed transaction as soon as possible.

On October 30, 2006, the Division of Public Utilities (“Division”) filed a memorandum of its investigation of the proposed transfer recommending approval of the same.

DISCUSSION, FINDINGS, AND CONCLUSIONS

TA Holdings is a publicly-held Delaware corporation, headquartered in New Hope, Pennsylvania. TA Holdings is the parent of several authorized local and long distance telecommunications carriers, including Talk America. Talk America is based in New Hope, Pennsylvania and provides regulated telecommunications services in Utah pursuant to a Certificate of Public Convenience and Necessity granted by the Commission to The Phone Company of New Hope on August 26, 1997, in Docket No. 97-2236-01. The Commission subsequently approved a name change to Talk America, Inc., on June 7, 2001, in Docket No. 01-2236-01.

Cavalier Telephone Corporation (“CTC”) is a Delaware corporation. CavTel Holdings, a Delaware limited liability company, is a wholly-owned subsidiary of CTC. CavTel Holdings is the non-certificated direct and indirect parent of several certificated operating subsidiaries employing over 1,000 people to provide a wide array of telephone and data service offerings. Through its fiber network, CTC's operating subsidiaries are able to deliver advanced services more cost effectively and more quickly than traditional competitive local exchange carriers.

Under the proposed transaction, CTC, through CavTel Holdings, will acquire all of the issued and outstanding shares of TA Holdings with TA Holdings surviving as a wholly-owned subsidiary of CavTel Holdings. As a result, CavTel Holdings, and by extension CTC, will indirectly control Talk America.

Applicants assert that immediately following consummation of the proposed transaction Talk America will continue to offer service to existing customers with no change in their rates, terms or conditions of service. Therefore, the indirect transfer of control of Talk America will be seamless and transparent to consumers in Utah. Applicants believe the transfer of control will serve the public interest by enabling CTC and TA Holdings' operating subsidiaries to strengthen their competitive positions in Utah to the benefit of Utah consumers and the State's telecommunications marketplace by offering a more comprehensive suite of services. As a result of this transaction, Applicants will also gain greater access to capital markets and consequently become better positioned to pursue a profitable growth strategy. In addition, the transfer of control of Talk America will not result in a change of carrier for customers or any transfer of authorizations. The Division concurs.

Utah Administrative Code Rule 746-110-1, authorizes the Commission to adjudicate a matter informally under *Utah Code Ann.* § 63-46b-5 when the Commission "determines that the matter can reasonably be expected to be unopposed and uncontested." We note that more than a month has passed since Applicants filed their Application yet no party has sought intervention in this matter. We therefore view this matter as unopposed and uncontested and conclude it is in the public interest to proceed informally without hearing. Pursuant to Rule 746-110-2, we conclude good cause exists to waive the 20-day tentative period for an order issued in an informally adjudicated proceeding. Accordingly, this order will become effective on the date of issuance.

Based upon the evidence submitted by Applicants, as well as the Division's recommendation, and pursuant to *Utah Code Ann.* §§ 54-4-28 and -29, we find and conclude that the proposed indirect transfer of control will not harm and can provide benefits to the State of Utah, its citizens, or to Applicants' Utah customers and is in the public interest.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. This matter be, and it is, converted to an informal proceeding pursuant to §63-46b-4(3), UCA 1953, as amended.
2. The proposed indirect transfer of control of Talk America, Inc., is approved.
3. The approval granted herein is effective as of the date of this Order.

Pursuant to Utah Code §§63-46b-12 and 54-7-15, agency review or rehearing of this order may be obtained by filing a request for review or rehearing with the Commission within 30 days after the effective date of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code §§63-46b-14, 63-46b-16 and the Utah Rules of Appellate Procedure.

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DATED at Salt Lake City, Utah, this 16th day of November, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#51343